

Mendocino County Board of Retirement  
Audit and Budget Committee Meeting Minutes  
April 27, 2015

9:00 a.m.

Participants: Randy Goodman, Committee Chair, Ted Stephens, Kathryn Cavness, Tim Knudsen, James Wilbanks, Retirement Administrator, and Stan Conwell, Financial/Investment Officer.

Mr. Stephens confirmed that he was participating by conference call from his office located at 1101 College Ave., Ste. 210, Santa Rosa, CA 95404, the agenda was posted publicly at this location prior to the meeting, and the public was welcome to participate.

Public Comment: John Sakowicz urged the committee to increase the Education and Training budget for the board and the staff.

1) Approval of the February 24, 2015 Committee meeting minutes.

Mr. Stephens motioned to approve the February 24, 2015 meeting minutes. Ms. Cavness seconded the motion and the minutes were approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Stephens, and Mr. Knudsen. Noes: 0. Abstain: 0 Absent: 0.

2) Discussion and Recommendation regarding the Mendocino County Employees Retirement Association Budget Proposal for Fiscal Year 2016.

Mr. Goodman began the review of the proposed budget starting with personnel expense. Mr. Stephens questioned the Cost of Living Adjustment (COLA) increase. Mr. Wilbanks mentioned that the employer COLA cost is spread evenly across all tiers and types. Mr. Stephens asked if merit increases were included in the personnel expense. Mr. Goodman noted that a 5% increase was included for Stan Conwell, Financial/Investment Officer.

Mr. Goodman continued the proposed budget review with an analysis and discussion of administrative expenses. Mr. Wilbanks provided an overview of the Information Technology (IT) services provided by the County under office expense and noted that County Information Services also provides assistance with the pension automation project. Mr. Goodman asked if the expenses were reasonable. Mr. Wilbanks said he felt comfortable with the costs. Mr. Stephens inquired about other costs included in the office expense category. Mr. Wilbanks detailed the office expense line items and noted that most categories included incremental expense increases.

A general discussion about legal expense followed including a breakdown of legal expense categories and the cost of filing a determination letter with the Internal Revenue Service (IRS). Mr. Goodman asked if an audit Request for Proposal (RPF) was scheduled for the coming fiscal

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

**MEETING LOCATION:** Retirement Association Conference Room , 625-B Kings Court, Ukiah, CA 95482

Phone: 707-463-4328 Fax: 707-467-6472

**RETIREMENT ASSOCIATION WEBSITE:** [www.co.mendocino.ca.us/retirement](http://www.co.mendocino.ca.us/retirement)

year. Mr. Conwell mentioned that MCERA's current auditor, Gallina LLP, will be conducting the audit for fiscal year 2015. Staff education and training budget was discussed next which included review of the cost breakdown.

Mr. Knudsen motioned to keep staff education and training at the proposed budgeted amount. Ms. Cavness seconded and the motion failed by the following vote: Ayes: Mr. Knudsen and Ms. Cavness. Noes: Mr. Stephens and Mr. Goodman. Abstain: 0 Absent: 0.

Mr. Stephens motioned to reduce the staff education and training budget to \$16,000 from \$22,220 with an option to revise if needed at the mid-year budget update. Mr. Goodman seconded the motion and it passed by the following vote: Ayes: Ms. Cavness, Mr. Stephens, and Mr. Goodman. Noes: Mr. Knudsen. Abstain: 0 Absent: 0.

The committee also discussed Board education and training expense including the need for a strategic planning retreat.

Mr. Knudsen motioned to remove the strategic planning retreat from the proposed budget. Ms. Cavness seconded and the motion passed by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Stephens, and Mr. Knudsen. Noes: 0. Abstain: 0 Absent: 0.

Mr. Stephens motioned to reduce the Board education and training budget to \$22,000 from \$38,650 with the option to revise if needed at the mid-year budget update. Mr. Goodman seconded the motion and it passed by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Stephens, and Mr. Knudsen. Noes: 0. Abstain: 0 Absent: 0.

The committee engaged in general discussion on the remaining budget categories including Disability, Imputed Rent, Technology, Investment and the Capital Improvement Plan. Mr. Goodman asked for an overview of the custodial bank item, Capital Improvement Plan and Electronic Document Imaging System (EDMS). Mr. Wilbanks noted that the additional cost of a custodial bank would be offset, at least partially, by the ability to switch from institutional mutual funds to separately managed accounts. Additional staff research will be needed to determine a reliable estimate of potential fee reductions. Mr. Wilbanks referenced the recent 625 Kings Court property inspection report and listed possible areas in need of repair and improvement. In the coming weeks and months, staff will develop a plan to maintain and improve this plan asset. Mr. Wilbanks provided a basic breakdown of the EDMS costs and mentioned that the project was unlikely to exceed \$115,000.

Mr. Stephens left the meeting at approximately 10:15 a.m.

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

**MEETING LOCATION:** Retirement Association Conference Room , 625-B Kings Court, Ukiah, CA 95482

Phone: 707-463-4328 Fax: 707-467-6472

**RETIREMENT ASSOCIATION WEBSITE:** [www.co.mendocino.ca.us/retirement](http://www.co.mendocino.ca.us/retirement)

Ms. Cavness motioned that the Audit and Budget Committee recommend the proposed Fiscal Year 2016 budget as amended, including additional information regarding the custodial bank and the Capital Improvement Plan. Mr. Goodman seconded and the motion passed by the following vote: Ayes: Mr. Goodman, Ms. Cavness, and Mr. Knudsen. Noes: 0. Abstain: 0 Absent: Mr. Stephens.

- 3) Discussion and Recommendation regarding the financial information to be presented to the Board of Retirement at each monthly board meeting.

Mr. Knudsen began discussion about bringing cost basis and unrealized gain back to the monthly investment reports. Potential issues with formatting were deliberated.

Mr. Knudsen motioned to add cost basis and unrealized gain to the current investment report. Ms. Cavness seconded and the motion passed by the following vote: Ayes: Mr. Goodman, Ms. Cavness, and Mr. Knudsen. Noes: 0. Abstain: 0 Absent: Mr. Stephens.

- 4) Schedule the next Audit & Budget Committee meeting.

The next Audit and Budget Committee meeting is yet to be determined.

10:30 a.m. Meeting Adjourned

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

**MEETING LOCATION:** Retirement Association Conference Room , 625-B Kings Court, Ukiah, CA 95482

Phone: 707-463-4328 Fax: 707-467-6472

**RETIREMENT ASSOCIATION WEBSITE:** [www.co.mendocino.ca.us/retirement](http://www.co.mendocino.ca.us/retirement)